



CITY OF SAINT PAUL

Mayor Christopher B. Coleman

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**Presentation To  
Program Stakeholders  
June 3<sup>rd</sup>, 2010**

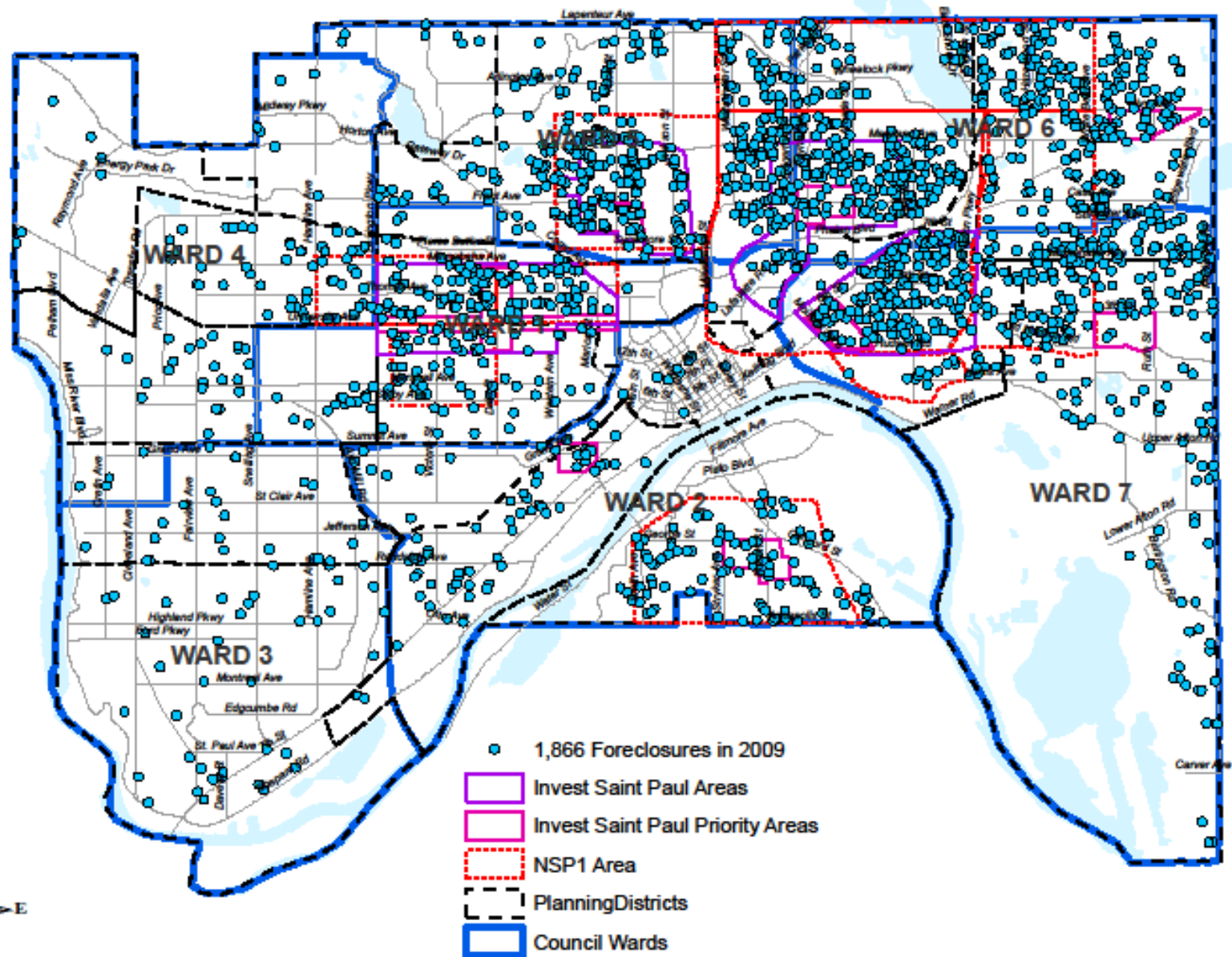
**Invest Saint Paul Initiative and  
Neighborhood Stabilization Program  
(ISP/NSP)**

# How Did We Get Here?

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- ❑ International Economic Crisis with devastating consequences locally
  - Market Crash
  - Spike in Unemployment
    - ❑ Increased in MN from 4.4% in 2005 to 7.2% in 2010
  - Foreclosure Tidal Wave
    - ❑ Minnesota = 23,000 in 2009 (28<sup>th</sup> highest in US)
    - ❑ Saint Paul
      - 2007 = 1,888
      - 2008 = 2,224
      - 2009 = 1,866
      - Three Year Total = 5,978
    - ❑ 2009 Pre-foreclosure notices = 3,900
    - ❑ 2010 1<sup>st</sup> Quarter Pre-foreclosure notices = 925

# 2009 Foreclosures



# How Did We Get Here?

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- Increase in Vacant Residential Properties

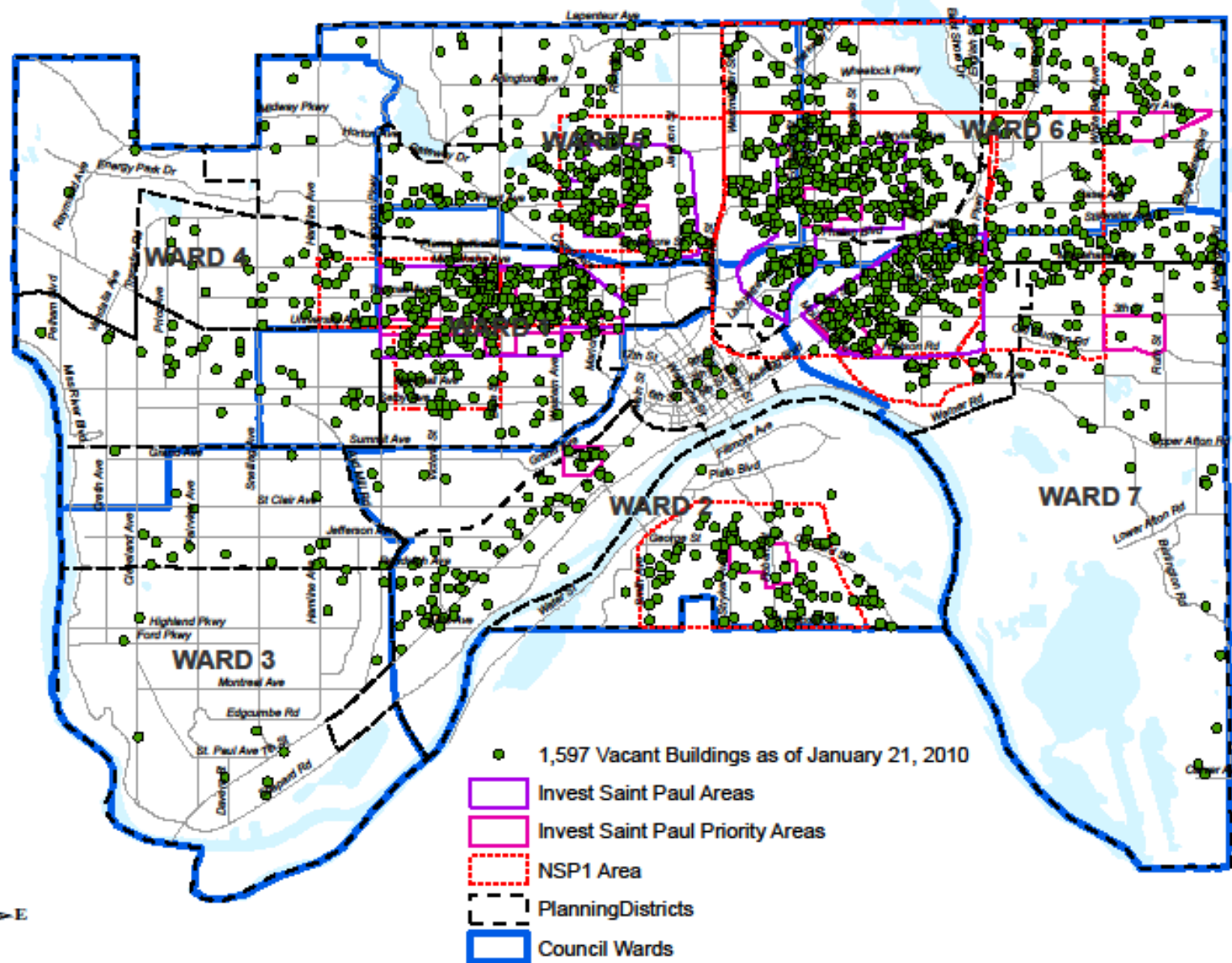
- Saint Paul

- 2007 = 1,078
    - 2008 = 1,956
    - 2009 = 1,597
    - 2010 (March) = 1,536

- Drop in Home Values

- 2005 – 2008 Median home sale prices dropped 25.5% (from \$195,000 to \$145,200)
  - Decrease in Property Tax Revenue
  - Decline in Availability of Services

# Vacant Properties



# Saint Paul Responds

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## ▣ Issues Quantified

### ■ Physical Property indicators

- ▣ Residential Property Values
- ▣ Rental Registration Properties
- ▣ MLS Active Residential Property Listings
- ▣ Vacant Residential Buildings

### ■ Household Stress Indicators

- ▣ Properties with Three or More Complaints
- ▣ Water Shutoffs
- ▣ Foreclosures

### ■ Social Stress Indicators

- ▣ Quality of Life Crimes
- ▣ Part I Crimes
- ▣ Arson and Fires
- ▣ Revoked Certificates of Occupancy

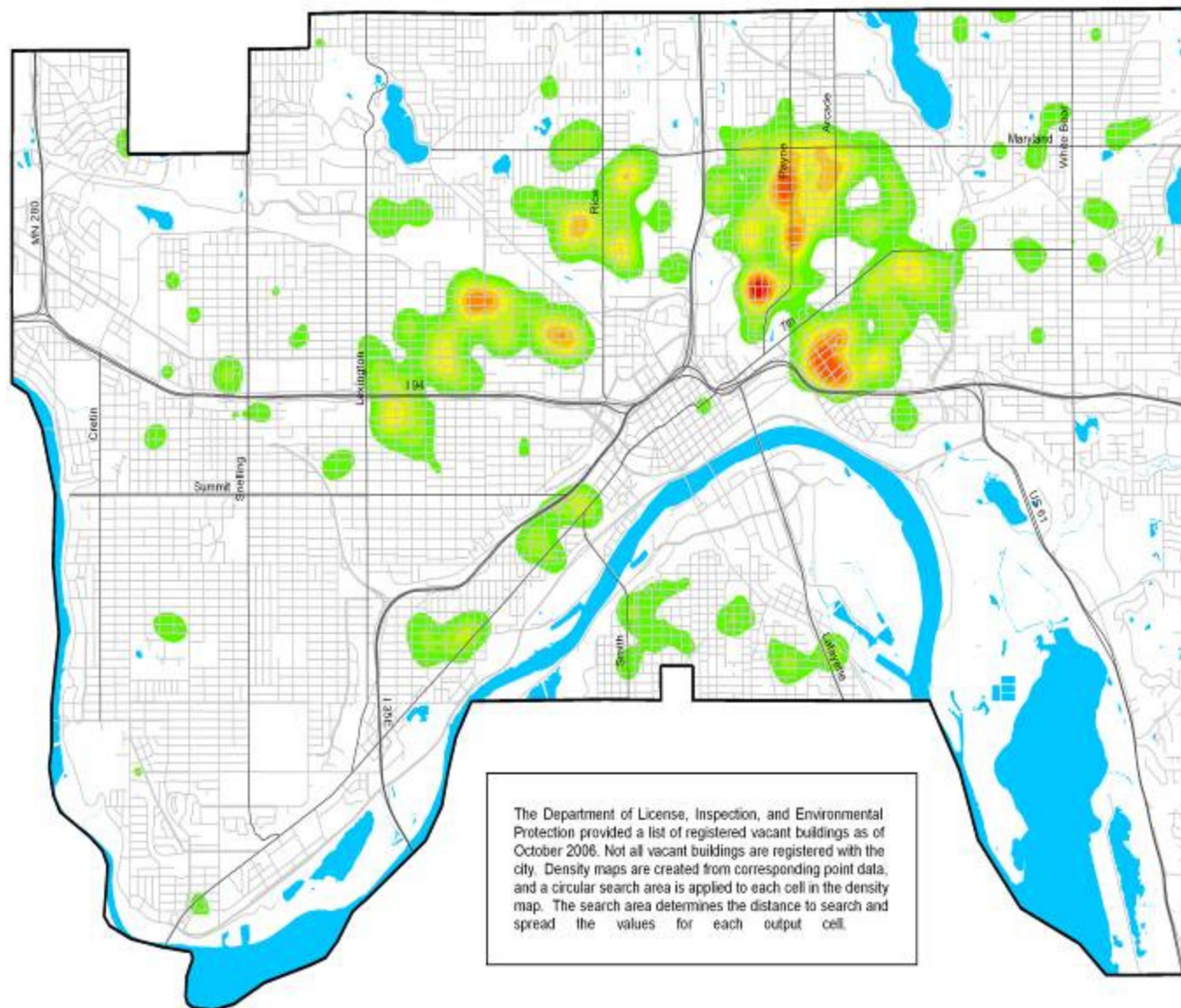
# DRAFT

## Density of Vacant Buildings October 2006

### Legend



Prepared by Strategic Information Team  
Department of Planning and Economic Development  
City of Saint Paul  
October 2006

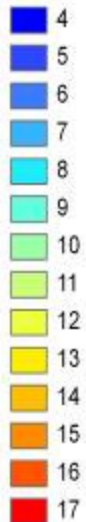


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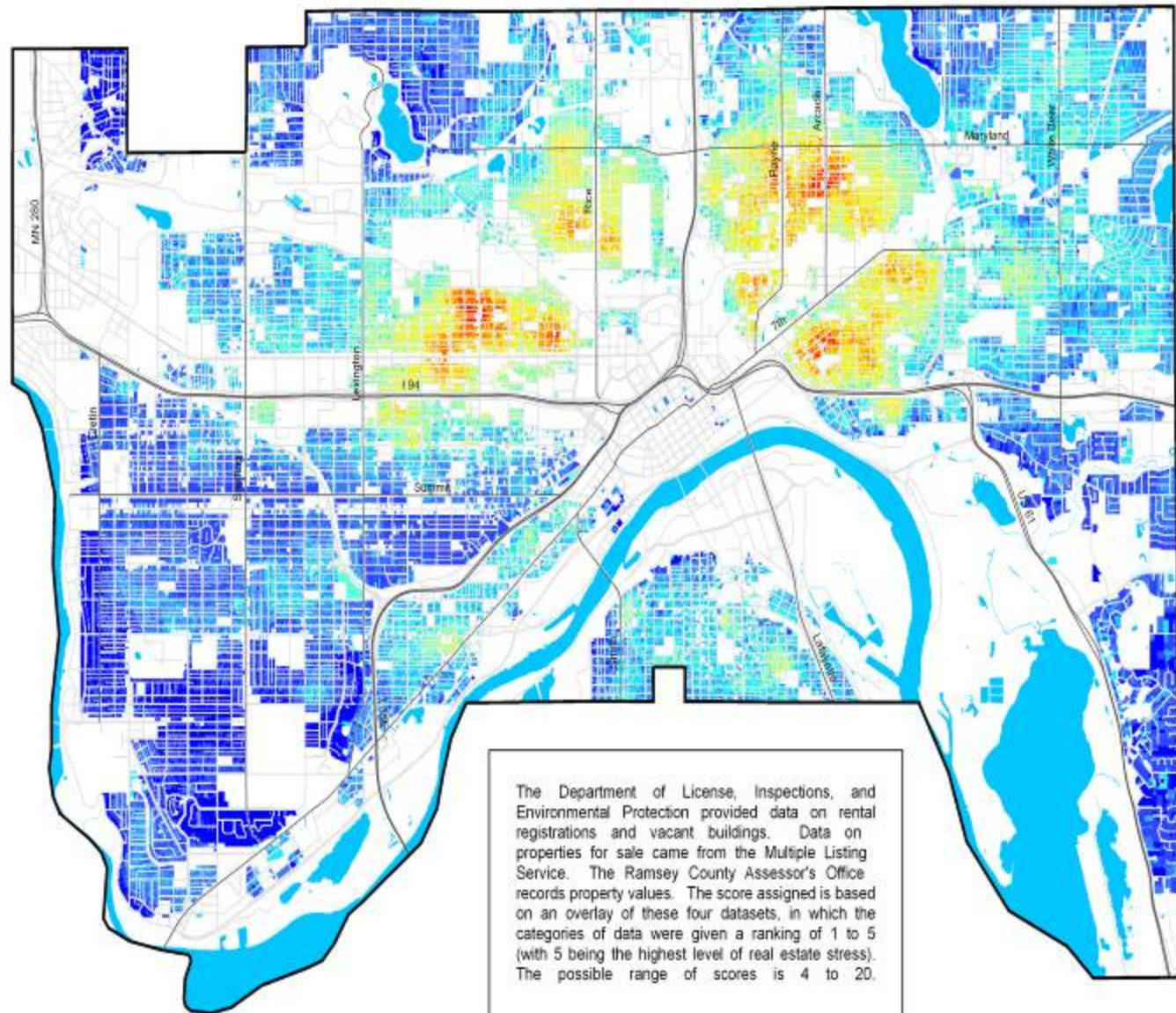
## Real Estate Composite Map:

Rental Registration,  
Vacant Buildings,  
Houses for Sale, and  
Property Values

### Legend



Prepared by Strategic Information Team  
Department of Planning and Economic Development  
City of Saint Paul  
October 2005



Source: LIEP, Multiple Listing Service,  
Ramsey County Assessor's Office

# Saint Paul Responds

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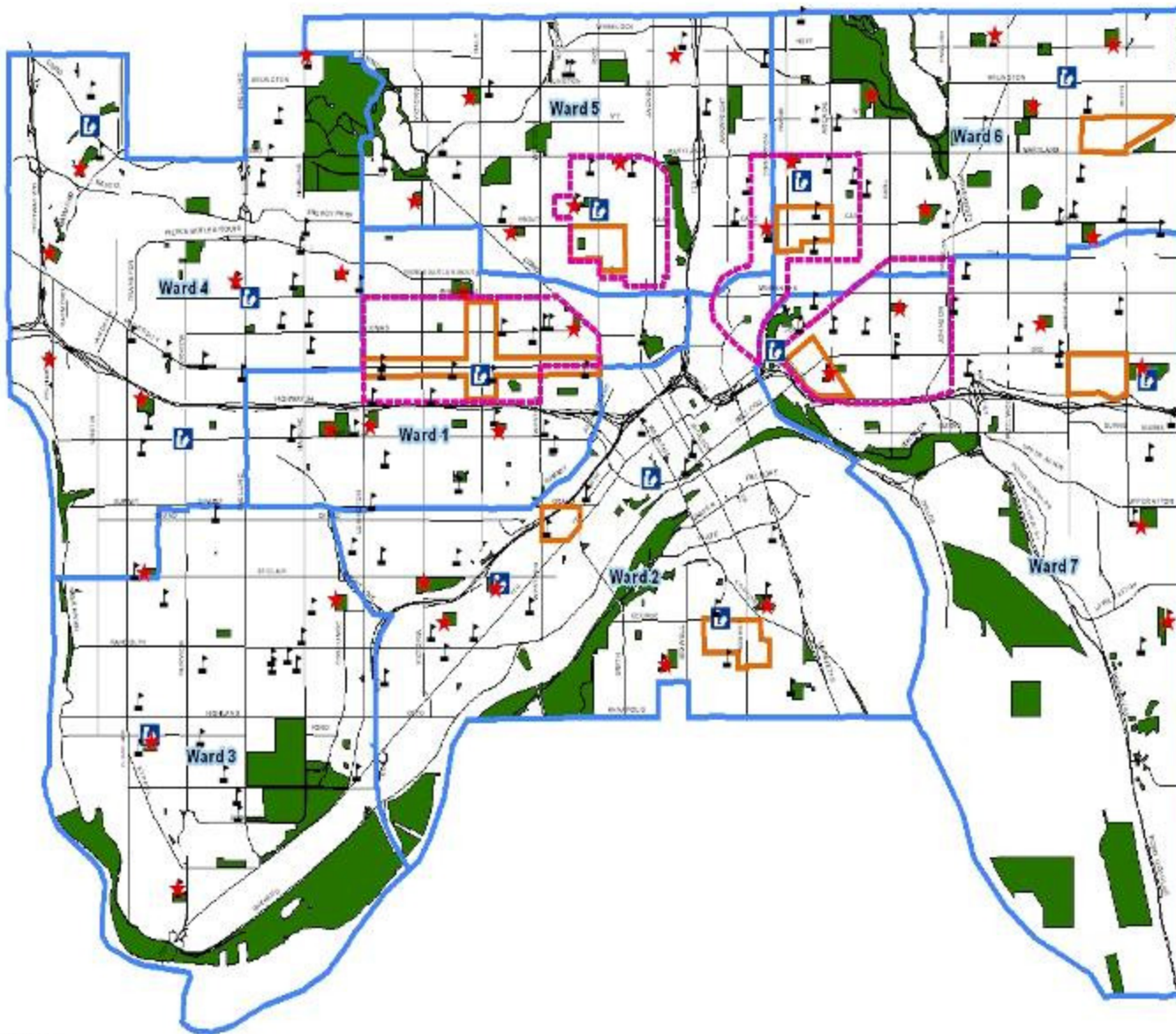
## ■ Based on Above Indicators, Focus Areas are Identified

- Dayton's Bluff
- Payne-Phalen
- Frogtown/Aurora St. Anthony
- North End
- Additional smaller targeted areas

# Invest Saint Paul



Department of Planning  
and Economic Development



## Key

- School
- Libraries
- Rec Center
- Priority Areas
- Ward boundary
- Proposed Focus Areas



March 21, 2007

# Saint Paul Responds

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## ▣ A Work Plan is Developed

- **Comprehensive** – it weaves physical development, community building, and resident engagement together in a focused and strategic way
- **Complex** – it acknowledges that there is no “quick fix” for the long-term disinvestment experienced by some parts of the City
- **Critical** – it affirms that Saint Paul is a city of neighborhoods where all must thrive for the City to grow and prosper.

# Saint Paul Responds

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## ▣ **Invest Saint Paul** (ISP) is Created

- February 2007 – Mayor Coleman launched the Initiative
- August 2007 – City Council & HRA authorized \$15 million of STAR Bonds for
  - ▣ Strategic Acquisition
  - ▣ Rehabilitation
  - ▣ Mortgage Financing / Incentives
  - ▣ Neighborhood Commercial Corridors
  - ▣ Development Projects
  - ▣ Organizational Support & Community Outreach
  - ▣ Regulatory Services

# Goal:

**To Strengthen and revitalize neighborhoods challenged by recent economic downturns and persistent disinvestment by strategically channeling resources into those neighborhoods, which will, in turn, support the City as a whole**

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- ❑ Create partnerships among banks, the HRA, CDCs, District Councils, and neighborhood residents
- ❑ Bring together resources, time, talent, and funding in neighborhoods poised to prosper after a prolonged period of disinvestment
- ❑ Reduce vacant houses
- ❑ Rehabilitate or address housing units thereby strengthening the housing stock
- ❑ Work to grow new, stabilized and/or expand existing businesses
- ❑ Develop major gateways and nodes that will grow jobs and provide opportunity for new types of improvements
- ❑ Improve the stability and quality of life in the neighborhoods
- ❑ Grow stable and racially and economically diverse neighborhoods, with well-maintained owner-occupied and rental housing
- ❑ Build on the strengths of St. Paul's neighborhoods, by insuring that neighborhoods remain strong, and strengthening those where confidence is clearly declining

# The Feds Follow

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- Neighborhood Stabilization Program (NSP1) /  
Announced September 2008 / Awarded December 2008
  - To stabilize communities hardest hit by foreclosures
  - \$3.92 billion in formula grants nationwide
  - 309 Grantees, including 55 states and territories and 254 local governments
  - Saint Paul received \$4.3 million directly from Feds and an additional \$6.3 million from the State of Minnesota

# The Feds Follow

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## ■ NSP2

Signed into law February 2009 / Awarded January 2010

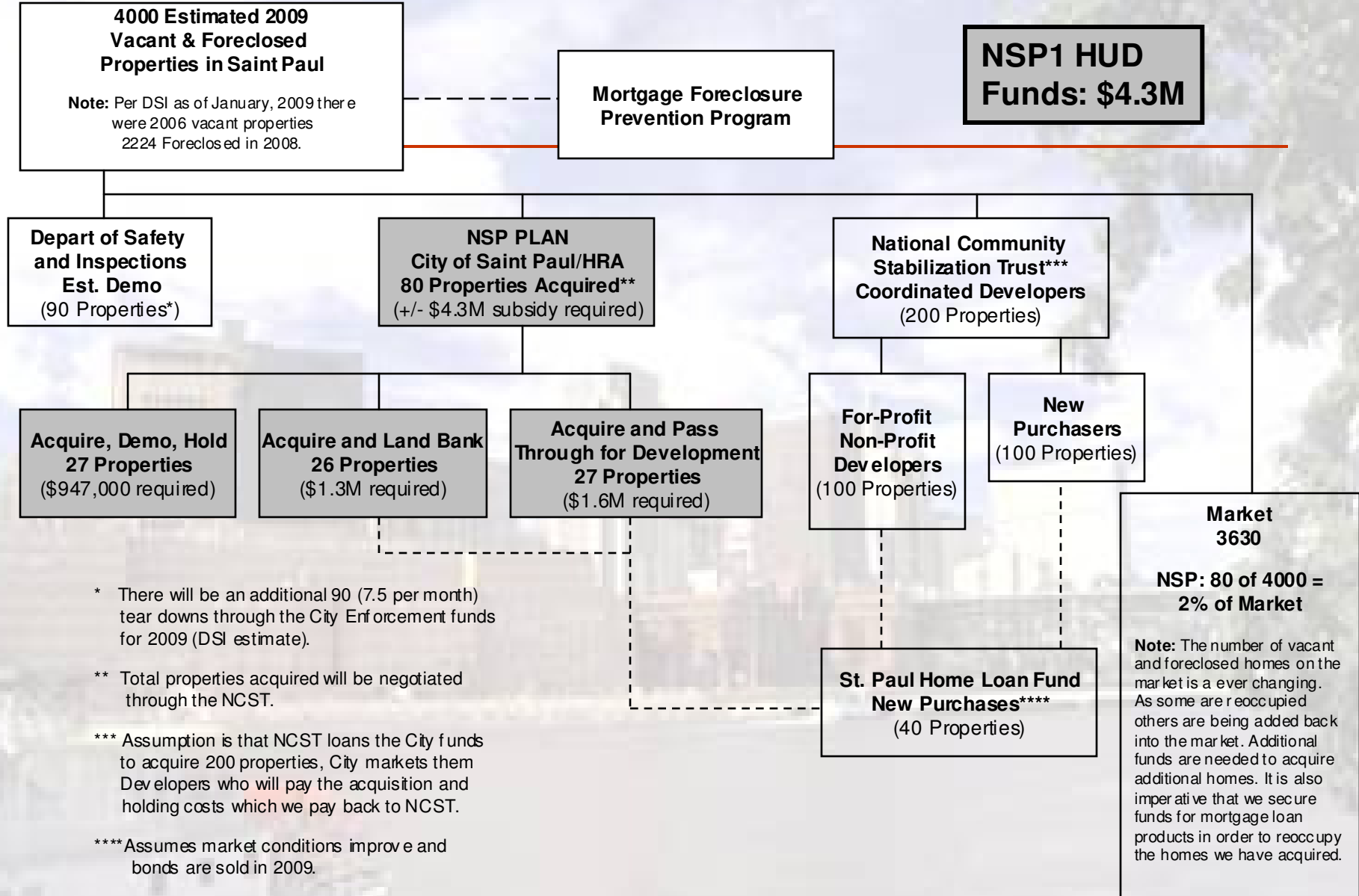
- \$1.93 billion awarded in competitive grants
- 500 Applications
- 56 grantees nationwide
- Saint Paul Received \$18,031,623 / ~ \$65 per capita
  - Minneapolis & Partners Received \$19,455,156 / ~ \$40 per capita for Minneapolis

# NSP 1 & 2

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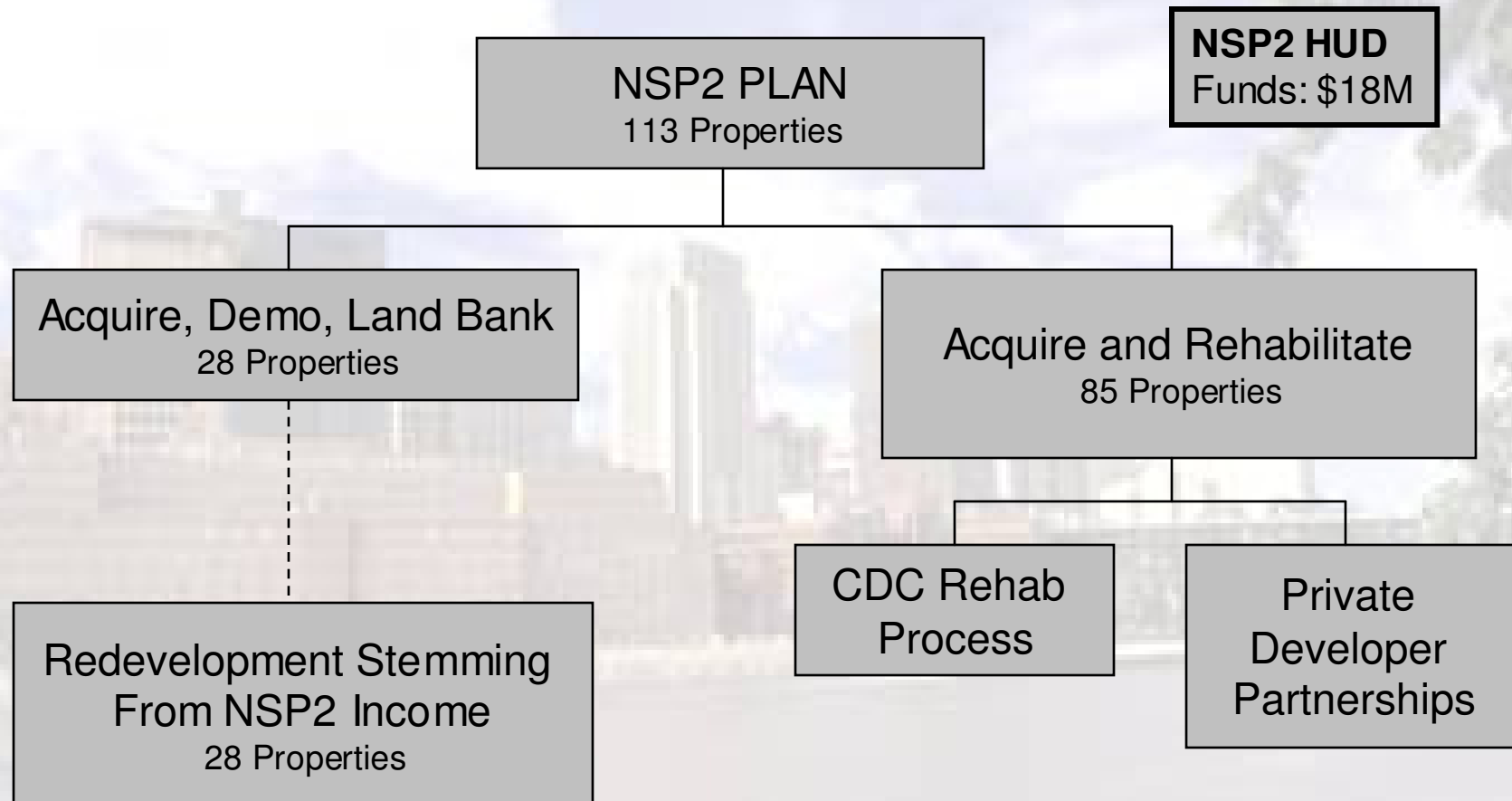
- Use of Funds –
  - Mirrors ISP – Builds upon work already undertaken
- ACQUIRE foreclosed and abandoned properties
- REHAB foreclosed and abandoned properties
- DEMOLISH foreclosed and abandoned properties
- LANDBANK for future development
- Provide down payment and closing cost assistance
  - For low-, moderate-, and middle income homebuyers (up to 120% of area median income - \$100,680 for a family of four)
- 25% of allocations spent on those at or below 50% AMI

# City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan 2009 -2010



## City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan 2010 -2013

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# NSP 1 & 2

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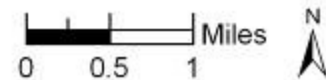
## ▣ Federal Time Requirements

### ■ NSP 1

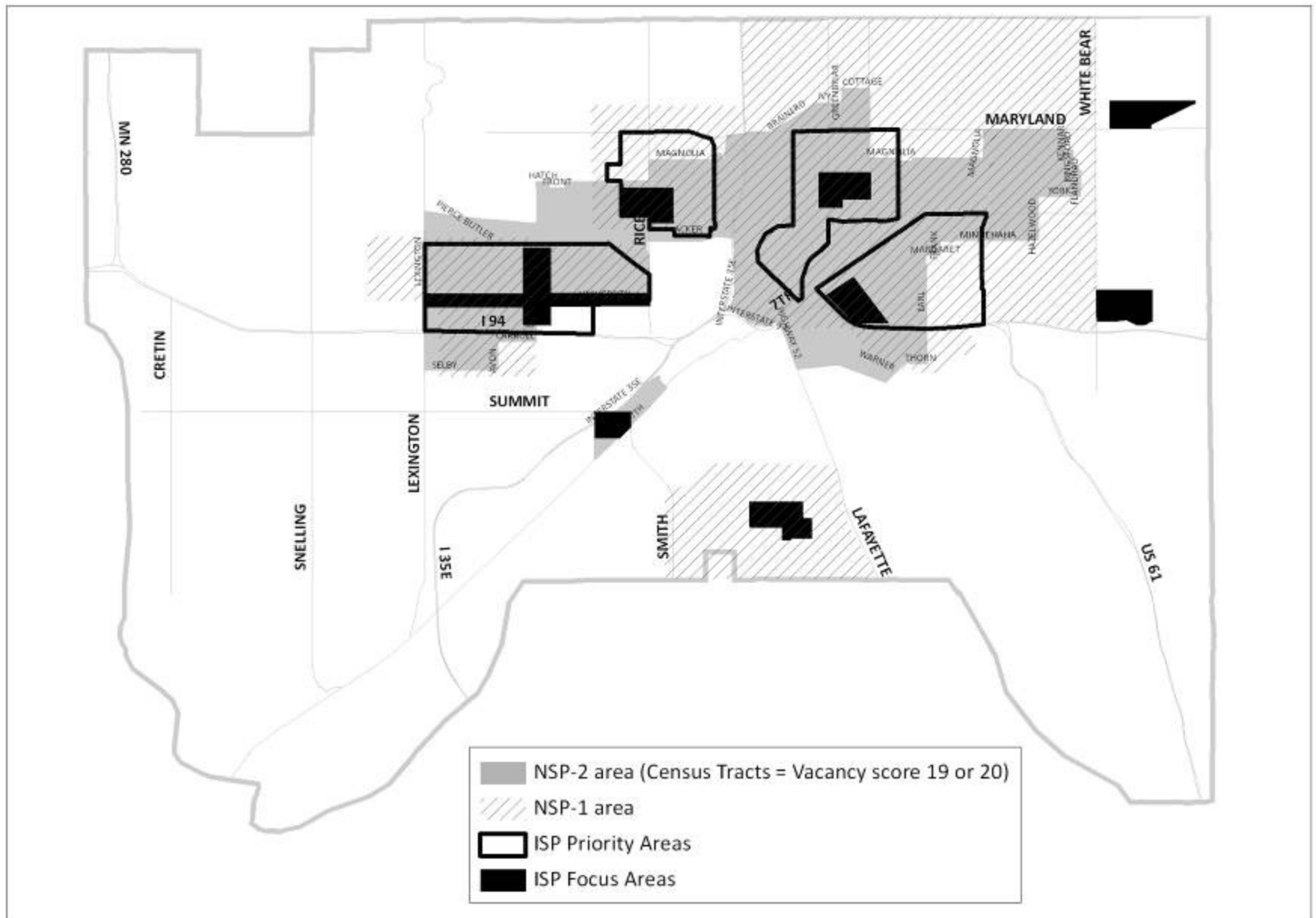
- ▣ 100% of funds must be obligated within 18 months of contract being signed by HUD (September 2010)
- ▣ Funds must be spent within four years (2013)

### ■ NSP 2

- ▣ 50% of funds must be spent in first two years (February 2012)
- ▣ All funds must be spent by end of third year (February 2013)



Source: Saint Paul PED; Department of Housing and Urban Development



June 15, 2009

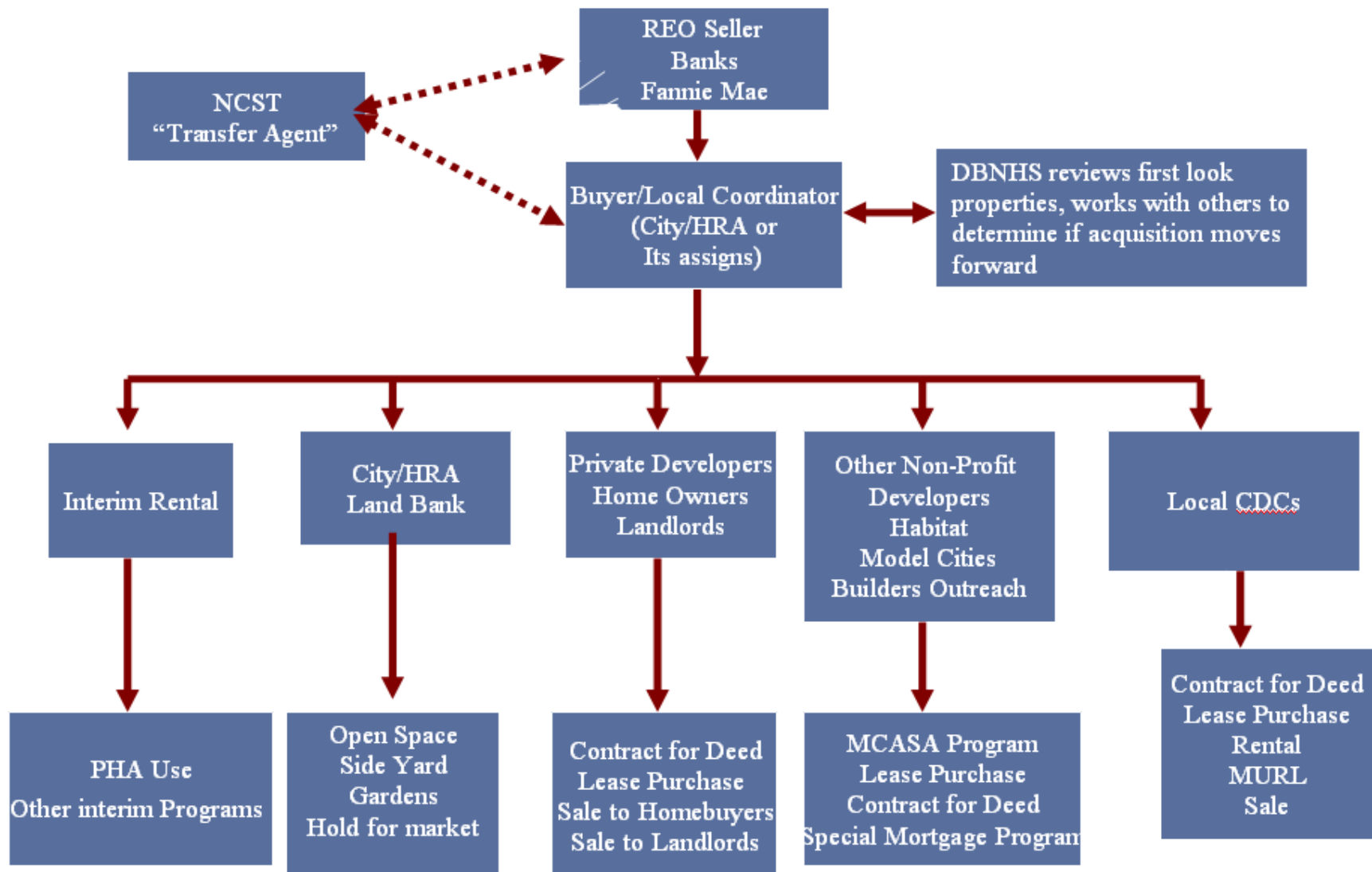
Data source: Saint Paul PED; Department of Housing and Urban Development

# ISP/NSP Progress

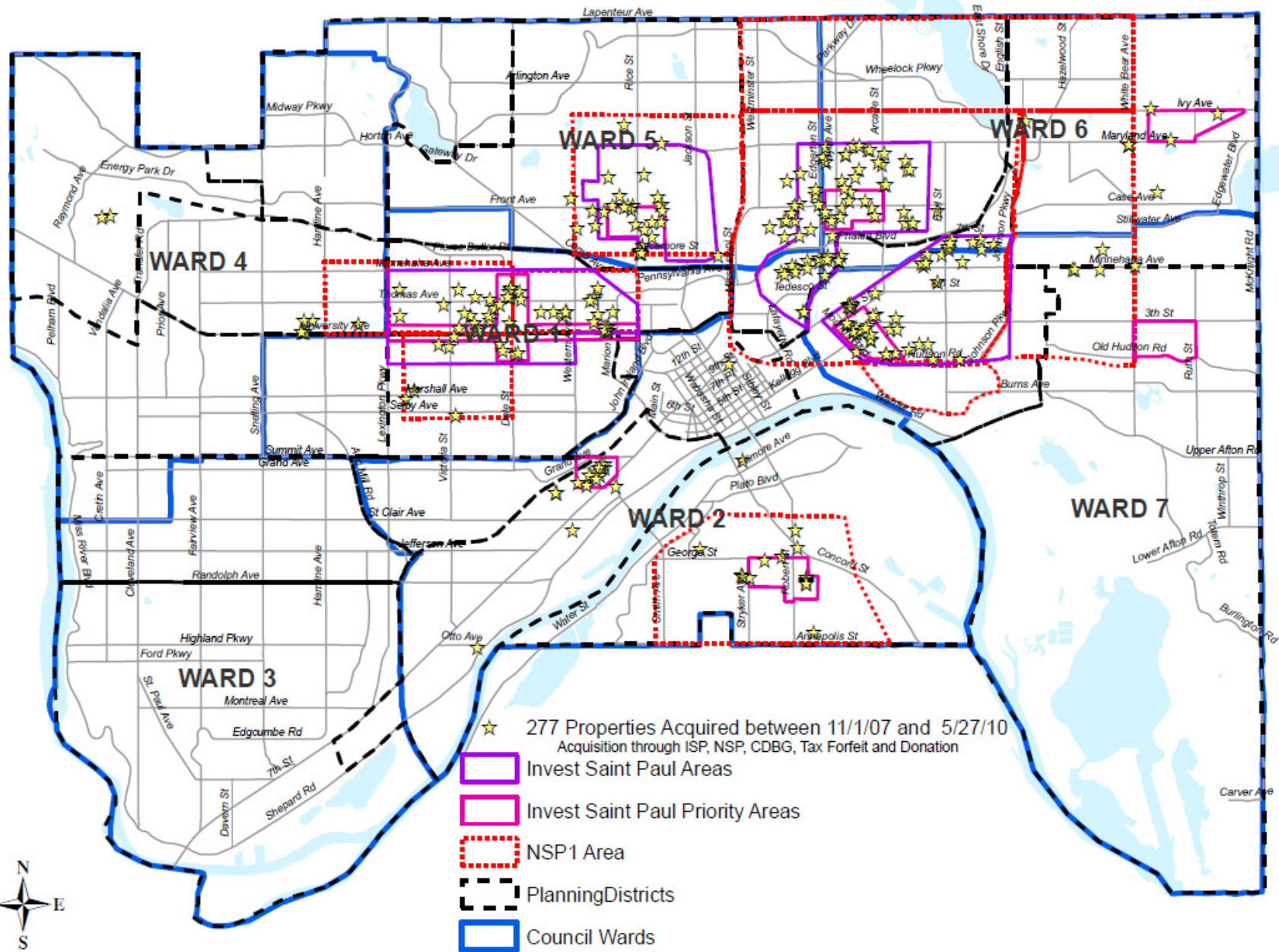
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- Foreclosure Prevention (1/1/06 – 3/31/10)
  - Clients Counseled = 4,300
  - Clients who Averted Foreclosure = 1,850
    - Methods of aversion include: brought mortgage current, mortgage modified, refinance, deed in lieu of foreclosure, short sale or sale.
- Strategic Acquisition (1/01/07 – 5/27/10)
  - Developed acquisition criteria
  - Properties identified for site control (ongoing)
  - Working with lenders to donate property
  - 277 Parcels

# St. Paul Neighborhood Stabilization and Rebuilding Plan – Purchase and Disposition Process



# HRA Acquisitions as of 5/27/2010



# ISP Progress

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- ▣ Dollars Expended: \$4.1 million
- ▣ Properties Acquired: 83
  - Property Breakdown
    - ▣ 26 Rehabilitate
    - ▣ 25 Demo/Land Bank
    - ▣ 17 Commercial
    - ▣ 8 Vacant Land
    - ▣ 2 Demo/New Construction – Habitat & ESNDC/TCH
    - ▣ 2 Demo/Public Use
    - ▣ 3 Rehab or Demo

# ISP Rehab Property Status

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- ❑ 6 Properties: 4th Street Preservation Project – Historic St. Paul/DBNHS
- ❑ 9 Properties: Smith Street Development – West 7th
- ❑ 1 Property: Duplex – RFP Process
- ❑ 5 Properties: Habitat – 3 closed
- ❑ 5 Properties: Being evaluated

# Organizational Support/Outreach

## Actions/Outcomes

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- ❑ developed neighborhood work plans
- ❑ held over 60 informational meetings with residents
- ❑ established vacant bldg. task forces to work with DSI
- ❑ completed community assessment surveys
- ❑ identified strategic properties for acquisition
- ❑ developed demolition criteria
- ❑ developed acceptable neighborhood appearance criteria
- ❑ worked with Parks, PW on summer youth jobs
- ❑ East Side Circulator bus routes
- ❑ MELF pilot program scholarships to children in North End and Thomas Dale
- ❑ reviewed 500 vacant properties
- ❑ contacted over 1000 residents
- ❑ served over 4000 children

# NSP1

## HUD Expenditures

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- Award of \$4.3 Million December 2008 – Released February 2009
- Expended = \$2.2 Million
  - 51% Expended
  - Drawn From HUD = \$2 Million
- 94 Properties Acquired
  - 44 Rehabilitate
  - 29 Demo/Land Bank
  - 17 vacant lots
  - 3 Demo/New Construction - Habitat
  - 1 Demo/Public Use

# NSP1

## HUD Rehab Property Status

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- ▣ 3 Properties: Phoenix/Clinton – tentative developer
- ▣ 4 Properties: My Home Source, LLC – HRA 6/9/10
- ▣ 14 Properties: being worked on by CDC's for HRA
- ▣ 5 Properties: Habitat
- ▣ 2 Properties: Duplex – RFP Process
- ▣ 16 Properties: being evaluated

# NSP1

## MHFA Expenditures

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- ▣ Award of \$6.3 Million February, 2009 – Release of Funds May 2009
- ▣ Expended/Obligated = \$3.3 Million
  - 52% Committed/Obligated/Expended
  - \$390,000 Committed Directly to Habitat by MHFA
- ▣ 35 Properties Acquired
  - 27 Rehabilitate
  - 6 Demo/Land Bank
  - 2 Rehab or Demo

# NSP1

## MHFA Rehab Property Status

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- ▣ 4 Properties: GFCDC/PPL – tentative developer
- ▣ 5 Properties: Habitat – 4 closed
- ▣ 9 Properties: Being worked on by CDC's for HRA
- ▣ 1 Properties: Model Cities
- ▣ 3 Properties: Duplex –RFP process
- ▣ 5 Properties: Being evaluated

# NSP2

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- ▣ Funding Awarded
  - \$18 Million, January 2010
- ▣ Build Upon ISP & NSP1
- ▣ Current Processes
  - Rehab and Deconstruction to begin on the first group of NSP2 associated properties in the near future
- ▣ Additional Complexities and Reporting Requirements

# NSP2 Progress

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- HUD has signed off on the Tier 1 environmental review and has issued an “Authority to Use Grant Funds” letter
- Quarterly Performance Report for first Quarter 2010 has been submitted through the DRGR system and accepted
- Quarterly ARRA report has been submitted through [federalreporting.gov](http://federalreporting.gov)
- Staff met with Twin Cities Community Land Bank regarding Living cities grant application and possible coordination of NSP2 work

# ISP2 Outreach Grants

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- ❑ \$600,000 ISP Funds
- ❑ Launched December 2009
- ❑ 16 Grantees Selected / 1-Year Projects
- ❑ Purpose:
  - Build upon work previously undertaken in ISP/NSP areas
  - Compliment future ISP and/or NSP investments
  - Build upon and strengthen community assets
  - Address challenges and mitigate deficiencies resulting from foreclosure crises and chronic disinvestment
  - Increase property values and enhance curb appeal
  - Engage the community and strengthen collaborations
  - Leverage additional resources
  - Undertake efforts that are sustainable and produce a long-term impact

# ISP/NSP Progress

April 1, 2007 – June 18, 2010

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## ■ Rehabilitation

- Communities completed survey for rehab
- Developed rental rehab guidelines with CDCs
- Developed comprehensive CDC Rehab Procedure Manual
- Assigned Properties for Rehab or Sale
- Held Compliance Training and Manual Review for CDCs
- Developed extensive data base to track all properties (125 fields)
- Initiated Energy Audits
- 302 Properties Rehabbed and Reoccupied - \$6.9 Million
  - 188 in ISP Areas - \$4.9 Million
  - 114 outside ISP Areas - \$2.1 Million

# ISP/NSP Progress

April 1, 2007 – June 18, 2010

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## ▣ Neighborhood Commercial Corridors

- 38 Properties addressed with CDCs
- 204 Properties under Socially Responsible Investment Fund
- Total Investment \$31.9 Million

## ▣ Redevelopment Projects

- Winnipeg – TDC \$13 Million / HRA & STAR \$3.85 Million
- Frogtown Square – Estimated TDC \$13 Million
- Smith Development

# ISP/NSP Progress

April 1, 2007 – June 18, 2010

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## ■ Mortgage Financing (purchase with or without rehab)

### ■ 181 Properties - \$26.3 Million

- 112 in ISP Areas - \$16.1 Million
- 69 outside ISP Areas - \$10.2 Million
- 114 were vacant/foreclosed properties
- 7 were new construction

# Activities With Neighborhood Partners

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- 88 Properties Developed by Neighborhood Partners in Conjunction with City of St. Paul Programs (January, 2009 to Present)
  - City Partners Developing Vacant/Foreclosed Properties
    - 4<sup>th</sup> Street Preservation Project
    - DBNHS
    - First Look Program
    - Greater Frogtown CDC/PPL
    - Habitat For Humanity
    - Model Cities Program
    - My Home Source
    - Other East Metro Community Partners
    - Phoenix Development
    - Smith Street

# Other City Programs

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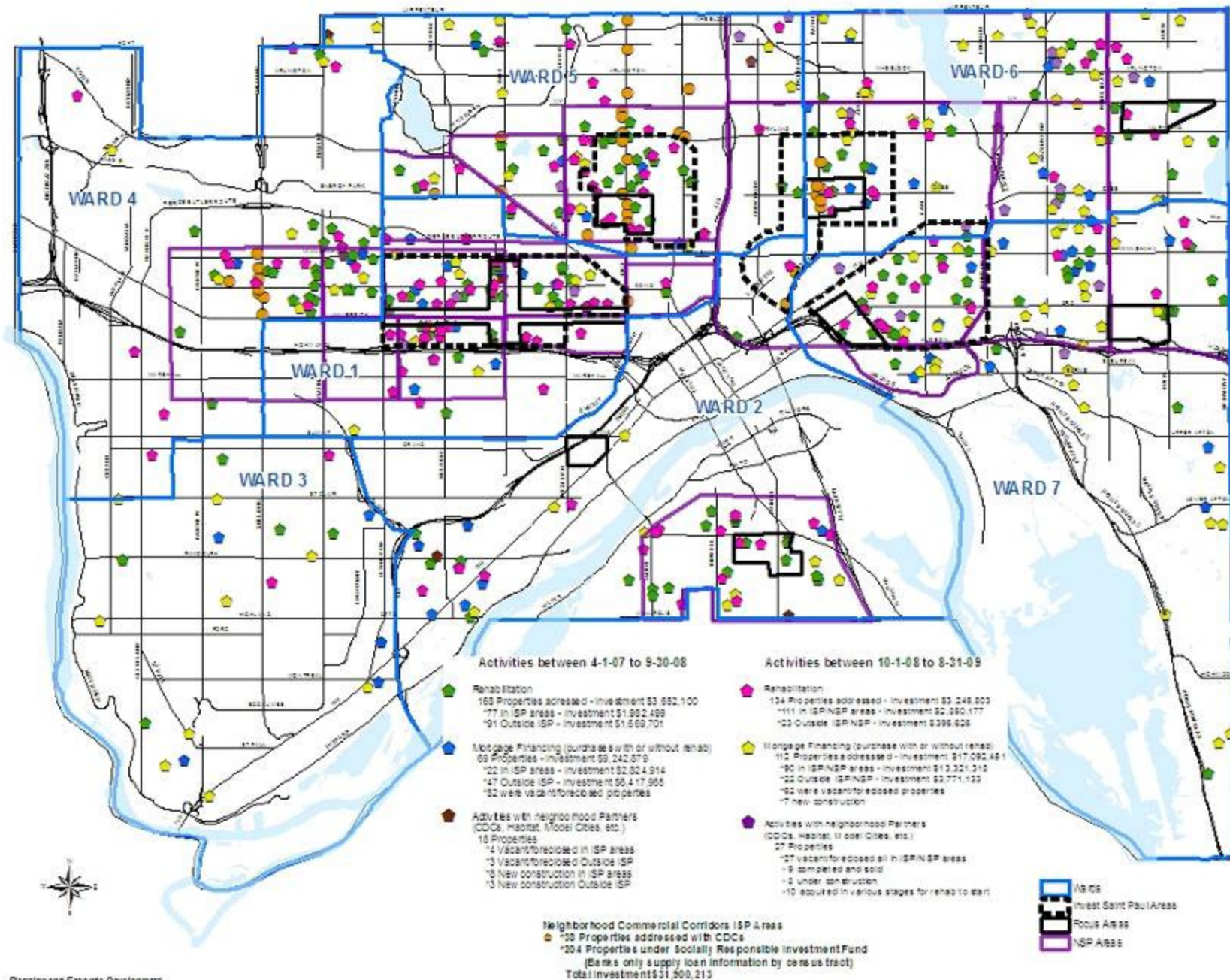
## ▣ Light Rail Corridor Affordable Housing

- Properties Acquired 10
- Expended \$1.859 million

## ▣ Properties Acquired using CDBG and HRA funds

- Properties Acquired 37
- Expended \$1.621 million

# Activities



# Long Term Issues

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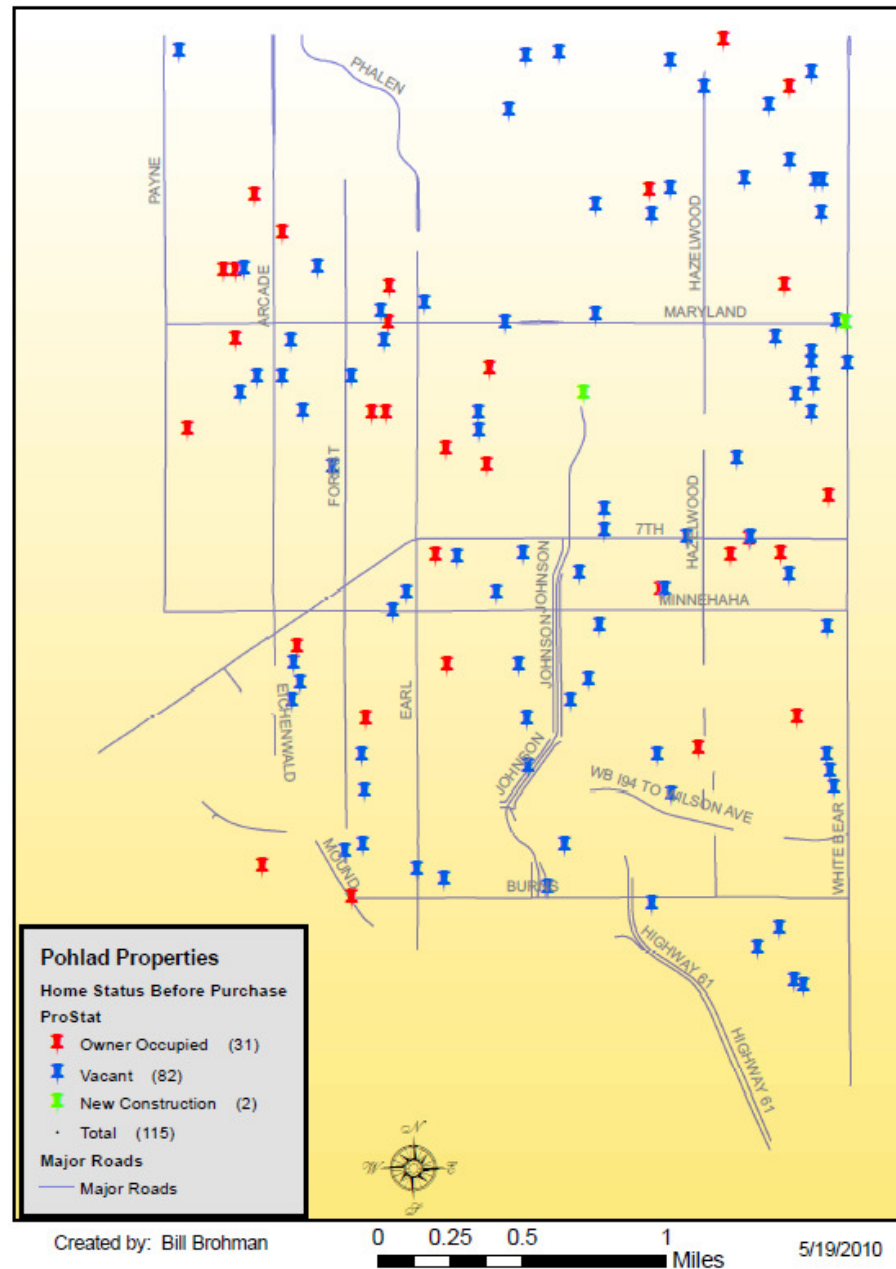
- ❑ Foreclosures Continue (3900 pre-foreclosure notices received in 2009)
- ❑ Commercial Real Estate foreclosures (multi-family)
- ❑ Small Neighborhood Businesses closing along commercial corridors
- ❑ Unemployment remains an issue
- ❑ Funding Resources are limited
- ❑ Banks/Lenders have tightened credit
- ❑ Difficult to obtain home improvement loans with values in decline (increases stress on neighborhood appearance)

# Moving Forward

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- ▣ Complimentary Initiatives Underway
  - ISP2 Community Engagement Grants
  - Habitat for Humanity Jimmy Carter Work Program
  - Community Investment Campus (CM Carter)
  - Marketing

# Houses Purchased Using the Pohlad Funds (Zipcode 55106)



# Strategies under Discussion

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- ❑ Who are the buyers now, 5, 10, 15 years from now?
- ❑ What types of rehab may improve the marketability of the properties?
- ❑ What types of infill housing should be considered in the future?
- ❑ Should large numbers of single family homes be used for rental in these distressed neighborhoods?
- ❑ How do we market properties so we do not flood the market and put downward pressure on property values?
- ❑ Should we license rental properties like a business?
- ❑ How do we encourage the private sector to share the risk to strengthen these neighborhoods/City?
- ❑ How do we secure long term funding to address these needs over a 15 year period to make the needed substantial changes?

# Facilitating Positive Results

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- Creating Vibrant, Livable, and Prosperous Communities Through ISP and NSP
  - Partner with the Community
  - Analysis of the Issues
  - Sound Planning and Oversight
  - Intelligent and Focused Investment
  - Ensuring a Positive Outcome

# Results

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- ▣ Neighborhood Stabilization
- ▣ Reduction of Vacant & Foreclosed Buildings
- ▣ Arrest, and reverse, the decline in property values
- ▣ Increase sales of residential properties
- ▣ Retention of Long Term Owners and Renters
- ▣ Long Term Affordability
- ▣ Retention of businesses and growth of new business that provide living wage jobs
- ▣ Improvement of Quality of Life